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national farmers union

In Union is Strength

National Farmers Union

Statement

to the

Senate Committee on Agriculture and Forestry

on the subject of

Bill C-54
n Act to amend the Farm Products Marketing Agencies Act

presented in

, Ontario June 2, 1992

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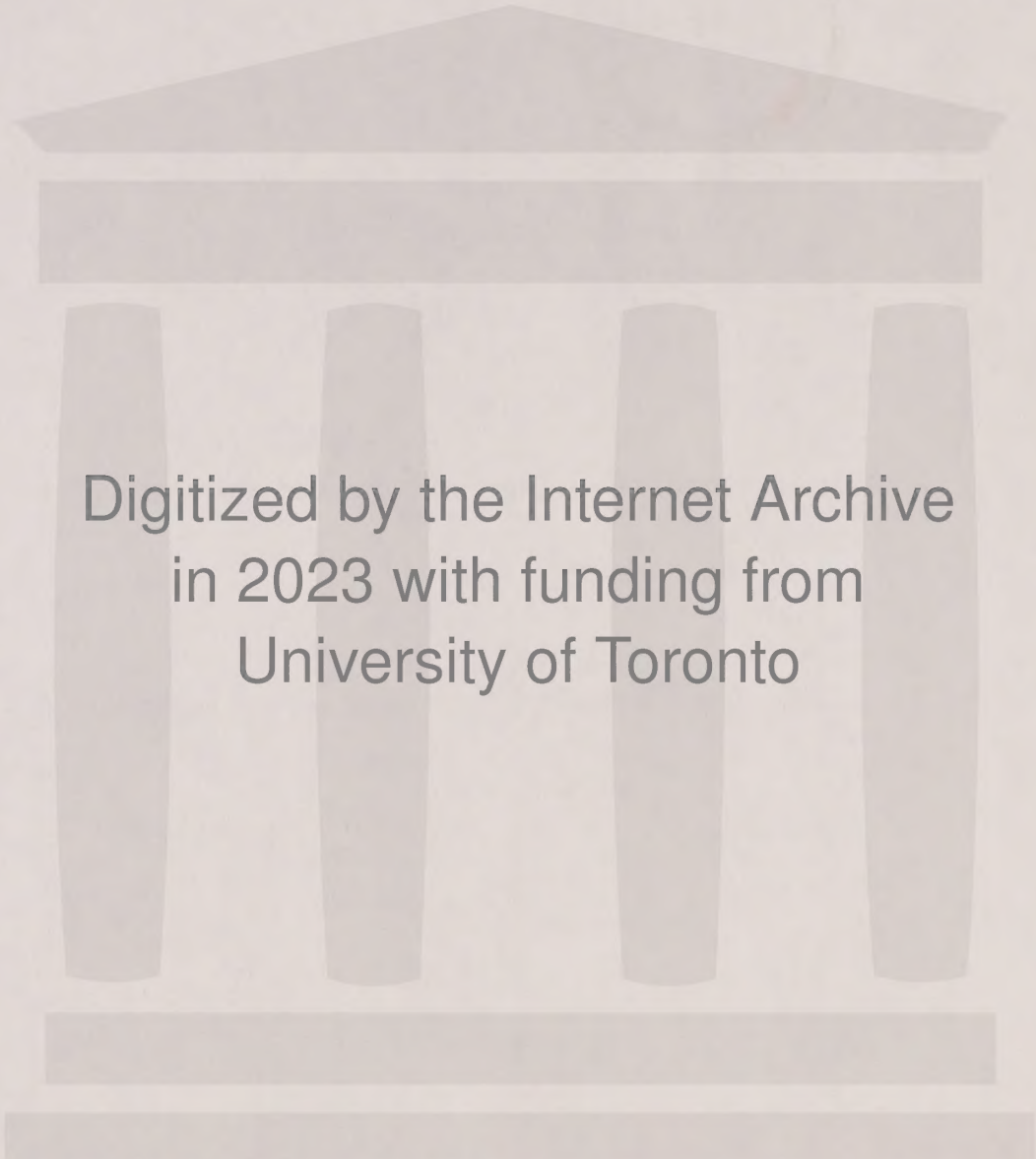

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An Act to amend the Farm Products Marketing Agencies Act

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INTRODUCTION:

We welcome this opportunity to appear before your Committee to discuss proposed amendments to the Farm Products Marketing Agencies Act that would provide check-off powers to certain organizations on the sale of certain farm products for the purposes of "promotion and research".

These proposed amendments introduce a Part III to the Act which, we believe, opens up a Pandora's box of problems and implications that demand the benefit of sober second-thought that this Committee is mandated to provide. To assist in this respect, we need to briefly background the genesis of this Bill.

Two years ago, Agriculture Canada circulated for comment a consultation paper on proposals for a National Check-off System which essentially is now reflected in Bill C-54.

One year ago, on March 1, 1991, the then Agriculture Minister, Hon. Don Mazankowski, addressed a federal-provincial meeting of Agriculture Ministers in Regina at which he spoke to the topic of "Enhancing Competitiveness" and made reference to the intent to "implement a national check-off system in 1991".

In a letter of April 4, 1991 to Mr. Mazankowski, we sought clarification on a number of key questions related to the proposed check-off. We later received a

response from the current Minister of Agriculture, Hon. Bill McKnight, in which he informed us that "of some 70 agri-food groups (to whom the consultation paper had been sent), only the National Farmers Union voiced opposition to the concept of national check-offs."

It was, he said, on the basis of the "near unanimous support" for national check-offs that the department was endeavouring to put a system in place.

This is a revealing commentary on the state of farm organization in Canada. We know how our members feel about suffering additional deductions from the sales of their products to be used for unspecified purposes. We believe thousands more also feel somewhat "ripped-off" by check-offs over which they have little or no control.

It is a matter of record, for example, that upon the introduction of Bill C-54 into the Commons on December 12, 1991, a spokesman for the Canadian Cattlemen's Association enthusiastically endorsed the move and estimated the check-off would return up to $8 million on domestic production for the C.C.A. plus an additional $700,000 on imports. Meanwhile, 50 cattlemen in southern Alberta had issued a court challenge against the compulsory $1.50/head check-off of the Alberta Cattle Commission because they disagree with the way it is collected and handled and the fact that it lacks accountability to producers.

Yet, the direction Bill C-54 has taken will entrench similar powers of taxation in the hands of what are essentially political organizations.

OUR VIEW ON CHECK-OFFS:

For the record and to be precise, the NFU supports commodity check-offs that are related to the direct marketing efforts of legitimate marketing agencies; that is, those agencies that operate within an orderly marketing framework to maximize producer returns and/or appropriately manage supplies and negotiate terms and conditions of trade by serving as a countervailing force in an imperfect marketplace.

Examples are national marketing programs operating under the Farm Products Marketing Agencies Act. The Canadian Egg Marketing Agency and the Chicken Producers Marketing Boards are examples. These national structures comprised of provincial boards have brought a considerable degree of price stability and supply management to the producers of these products. Marketing promotion and research financed from producer check-offs of these agencies are a legitimate business cost to such producers. They obviously do not need the benefit of Part III - or will they?

The Canadian Wheat Board is an example of an agency that fulfils this criteria for wheat and barley. While it is a Crown Corporation, producers do finance its administrative operations (although last year may have been an exception for obvious reasons). Certainly "promotion and research" are part of its mandate. Few would argue that it does not enjoy the confidence and support of the vast majority of producers in its export marketing efforts.

Grains marketed by the C.W.B. were specifically exempted from the original version of Bill C-54 but was later forced into the final report of the Committee. A ruling of the Speaker of the Commons disallowed this proposed addition on grounds that:

> "The committee is restricted in its examination in a number of ways. It cannot infringe on the financial initiative of the Crown, it cannot go beyond the scope of the bill as passed at second reading, and it cannot reach back to the parent act to make further amendments not contemplated in the bill no matter how tempting this may be."

It is our sincere hope this ruling will put the matter to rest once and for all regardless of the protests this Committee may have already heard or may yet hear on the matter.

In the case of the C.W.B., its main area of research is economic and market-oriented. While it is exempted in Bill C-54, a committee of the Board is currently studying the possibility of instituting a check-off on wheat for the purposes of scientific research into new varieties and plant breeding.

In a circumstance where plant research has traditionally been funded publicly, we look upon any such development as a form of off-loading research costs from the public domain to farmers directly. Increasingly, farmers will bear responsibility for financing a disproportionate share of the wheat research effort. While Ministers stoutly proclaim they do not intend to cut back on research funds, they have made no commitments to increase funding to keep pace with even the rate of inflation.

The Canadian Dairy Commission, although functioning in a different way, is another federal agency that has widespread producer support. Its relationship to producers is different and more complex than is that of the C.W.B., but its function in stabilizing domestic industrial milk prices and supplies, with federal financial assistance, is also generally appreciated by milk producers. Without it, there would only be chaos. Producers in surplus production contribute heavily through check-offs on their over-quota milk production to finance disposal of residual surplus products into export markets. We support this effort - but dairy producers do not need additional check-off legislation to serve their promotion and research needs.

The examples cited are of organizations and agencies which provide tangible evidence of stabilizing farm incomes through orderly one-desk selling, market intervention, when required, or through applying supply-management practices.

That is quite different than the "market promotion and research" proposals being advanced by commodity organizations, many of which also engage in political action on policy issues. Check-offs to such organizations, often low in direct membership numbers, will serve primarily to perpetuate their existence or convert them into "Commissions". Because all producers may be forced to contribute check-off funds to such Commissions, it will be interpreted as unanimous support for the policies of such organizations by some vested interest groups and governments.

Although the legislation specifies that the N.F.P. Council must conduct "hearings" to determine the degree of support for a check-off application, nothing is

specified how extensive or thorough such hearings will be or what organizations may be accepted as representing each sector of primary producers.

There is no question that basic scientific research funding in Canada is becoming under-funded but we question the implications of enabling commodity organizations to collect and administer check-offs for research purposes. We consider research funding and establishment of priorities to be a public responsibility. A "sugar bowl" approach is not needed. The vision of representatives of the scientific community needing to report on research projects to dozens of funding donors doesn't make sense. However, as you know, this legislation does not place any obligation on the recipients of these funds to spend any money on scientific research. Neither does it cap the percentage of funds that may be deducted nor place an upper limit on deductions.

Research should be co-ordinated and centrally directed in order to avoid duplication and assure that research priorities and long-term financing commitments are upheld. Further, it is our view that agri-business sectors of the economy, who are enthusiastic supporters of this legislation, benefit at least as much or more from research findings as do farmers. Under Bill C-54, they definitely will be major winners. There is no doubt they would be the primary beneficiaries of promotion efforts.

"VOLUNTARY" VERSUS COMPULSORY CHECK-OFFS:

This legislation contains no provisions requiring the Council to conduct plebiscites of producers to determine their support for a proposed check-off. It is up to the Council to make a decision on check-off applications based on an assumption that a majority of producers of a product support a check-off merely because a commodity organization may say so. Such support should not be taken for granted. If it is taken for granted, it may suggest the Council doesn't consider producers as being competent to make rational decisions on whether they wish to have their production taxed.

The Council will have the power to determine whether any particular check-off should be voluntary or compulsory. This it might do on its own or on the strength of an applicant claiming its membership is in full support of a check-off.

Our observation has been that some provincial governments have evaded their responsibilities in determining farmer preference for a check-off by arbitrarily putting them in effect and thinly disguising them as "voluntary". This generally means that a farmer must pay the check-off at the time of sale and must later apply for a refund within a narrow time frame, once or twice a year.

Check-offs which compel farmers to pay without prior consent into a check-off fund upon delivery of a product and then compel them to seek a rebate at some later date at personal inconvenience and aggravation can hardly be referred to as "voluntary". It is instead a form of double compulsion - compelled to pay - compelled to apply for a rebate or face the prospect of financing an organization whose policies may be contrary to the individual's views and beliefs. Many producers fail to apply for rebates because of the inconvenience involved which is precisely why the rules were designed that way. Some check-offs, we believe, could be challenged as being in violation of the Charter of Rights and Freedoms.

The proposed amendments in Bill C-54 provide no recourse for producers to directly challenge the legitimacy of a check-off either by petition or plebiscite. It is ironic that some commodity groups who subscribe to such tactics of harassment and enforcement are themselves often the strongest proponents for deregulation and "freedom of choice".

If the Council wished to implement a voluntary check-off, it should be based on the principle that the farmer at the time of sale of his product can elect to pay the check-off or decline to do so. This would be democratic, voluntary, and a true test on the degree of support for the check-off.

Accountability for most check-off funds is distant and impersonal. The individual may feel increasingly powerless to challenge entrenched trustees and well-

established bureaucracies and organizational mandarins. Democratic involvement and rights are the first casualties and of no real importance within such structures.

While responsibility for accountability to producers who pay check-offs administered by commodity groups is vague, the legislation assumes the flavour of banana republic autocracy when it enables the Minister to directly request the Council to initiate check-offs on particular products [Paragraphs 7(1)a] without producer request or consent of any kind. This he might do upon the request of food industry groups who have a vested interest in "promotion and research".

While we are not recommending it be done, it would be more forthcoming of the Minister, if he wants more funding for research, to simply impose a research tax on all commodities and add it to existing research funding for dispensation. The proposed amendments are a thinly veiled effort to implicate producers as being the primary proponents of these amendments.

Two outstanding questions not answered by this legislation remain. How will existing provincial check-offs fit into any national check-off equation for a product, and how will check-offs be applied to imported products?

For example, "voluntary" canola check-offs currently exist in Alberta and Saskatchewan where they are administered by provincial Commissions. There is no indication provincial Commissions are prepared to fold neither do we believe producers would additionally tolerate a second direct check-off for national promotion and research purposes.

It has already be conceded that implementing a check-off on imports might be difficult to administer and would require the co-operation of importers. Revenue Canada has demonstrated no interest in having custom officers involved in collections.

SECOND-GENERATION MARKETING:

The real issue of this legislation has not really been addressed. Part III

of Bill C-54 is in reality the government's potential solution for a much greater problem that confronts us as a result of the CUSTA and potentially the GATT.

A major outstanding issue remains to be answered in respect to the future of Article XI under the GATT. The potential devastation this may have upon Canada's supply-managed boards if the loss of protection of import quotas should occur is already apparent.

The Canadian International Trade Tribunal since last October has undertaken a thorough inquiry into the allocation of import quotas for supply-managed products, including a study of the possible impact of a conversion from import quotas to tariffication under the GATT. On the basis of projections that are made in C.I.T.T. research studies, it becomes abundantly clear that imports of supply-managed products can be expected to increase sharply under tariff equivalent import opportunities and that the current cost-of-production formulas and production quotas will no longer be practical or operative.

Bill C-54 is apparently Agriculture Canada's version of second-generation marketing as referred to in its "Growing Together" green paper of November 1989. Supply-managed boards will be transformed from effective marketing agencies operating in the interests of producers to becoming surrogate government promotion and research marketing Commissions under this legislation. Never again will Canadian producers create effective orderly marketing supply-managed boards for other products should the current Article XI of GATT fall by the wayside.

Our supply-managed boards do not currently need Bill C-54 in order to conduct "promotion and research". The Canadian Wheat Board does not need powers of promotion and research of Bill C-54. The market research and promotion efforts of these agencies are already being paid for by producers. Why then would they need to be duplicated?

While our producers of supply-managed products may be extremely efficient with current ground rules, there is every indication <u>many will be sacrificed</u>

in the brave new world of second-generation marketing and the competitiveness that constitutes its central philosophy if tariffication becomes a reality and increasing volumes of imported food products continue to erode our self-sufficiency in production.

Part III is designed to disempower farmers as a class. As commodity organizations are drawn into the web of government check-off legislation, it may provide them with financial stability but grassroots farmer concerns will become less relevant to their areas of interest. As a consequence, their legitimacy in representing farmers will become compromised and increasingly fictitious. Their officers face the real possibility of having their role as spokespersons for farmer interests reduced to effectiveness of neutered lap-dogs. It is a sad commentary on the subversion of democratic ideals and the meaning of participatory democracy.

Farmers have seldom experienced more difficult times than the present. Thousands of farm families in serious financial crisis have been dispossessed. Thousands more stand on the brink of economic collapse. Outstanding farm debt continues at record levels. Grain producers have, since 1985, been victimized in a vicious international grain price war.

Against this background of difficulty, the federal government has assumed the character of Marie-Antoinette, who, at the height of the French Revolution recommended to the starving masses who were seeking bread that they should "eat cake". With Bill C-54, the government is offering legislative "cake" -a non-solution to the problems of producers who will increasingly be fighting for survival as new market pressures are forced upon them through the GATT, the CUSTA, and possibly soon, the NAFTA. To add insult to injury, it additionally proposes to send farmers the bill.

That, in a nutshell, describes how we feel about Part III of Bill C-54.

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All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION